

Message Text

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PAGE 01 STATE 118011
ORIGIN EA-09

INFO OCT-01 ISO-00 SS-15 NSC-05 ONY-00 /030 R

DRAFTED BY EA:EHHEGINBOTHAM:LRR
APPROVED BY EA - RICHARD HOLBROOKE
NSC - MR. ARMACOST
T - MR. NYE
S/S:RGAMBLE
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P 211947Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L STATE 118011

EYES ONLY FOR SHOESMITH FROM HOLBROOKE

E.O. 11652:

TAGS: OVIP, (BLUMENTHAL, MICHAEL)

SUBJECT: VISIT OF TREASURY SECRETARY BLUMENTHAL; NUCLEAR
PROLIFERATION

1. SECRETARY BLUMENTHAL INVITED ME AND HEGINBOTHAM TO
BRIEF HIM ON SUBSTANTIVE AND PRESENTATIONAL MATTERS PRIOR
TO HIS DEPARTURE TOMORROW (SATURDAY) FOR TOKYO. ARMACOST
FROM NSC ALSO PARTICIPATED, ALONG WITH BERGSTEN AND SOLOMON
OF TREASURY. WE DISCUSSED A WIDE RANGE OF ISSUES INCLUDING
JAPAN'S LARGE PROSPECTIVE BALANCE OF PAYMENTS SURPLUS,
THE NEED FOR TRILATERAL TRADE LIBERALIZATION TO LIMIT
PROTECTIONIST MOMENTUM (AND ROLE FOR EMBASSY IN STARTING
PURSUIT OF WHAT MIGHT BECOME NEW ROUND OF TRADE LIBERALI-
ZATION TALKS WITH JAPAN A LA INGERSOLL), THE SPECIAL US-
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JAPAN ROLE IN ASIA (AID AND ASIAN DEVELOPMENT BANK EMPHASIS)
AND CIVIL AVIATION. ARMACOST RAISED AND I SUPPORTED IDEA
OF REVIVED CONSULTATIVE ARRANGEMENT WITH OFFICIALS OF
BELOW CABINET LEVEL RANK, TO FOCUS ON US-JAPAN TRADE, AND
RELATED RESPONSIBILITIES. WE ALSO FLAGGED PLANS OF
GILLIGAN, ACCOMPANIED BY HEGINBOTHAM, TO HOLD DISCUSSIONS
WITH JAPANESE ON AID MATTERS IN OCTOBER. FINALLY, WE

BRIEFED BLUMENTHAL AND PROVIDED BACKUP PAPERS ON JAPAN POLITICAL AND UPPER HOUSE ELECTION OUTLOOK, AND DISCUSSED OUR VIETNAM AND CONGRESSIONAL RELATIONS PROBLEMS. I ASSURED

BLUMENTHAL THAT YOU HAVE OUR UTMOST CONFIDENCE AND THAT HE SHOULD RELY HEAVILY ON YOU.

2. BLUMENTHAL MAY BRING UP NUCLEAR PROLIFERATION MATTER INFORMALLY WITH FUKUDA AT A POINT WHEN NO OTHER JAPANESE OFFICIALS ARE PRESENT. IN PRE-DEPARTURE MEETING WITH PRESIDENT, LATTER COMMENTED ON SUMMIT FALLOUT FROM THIS ISSUE, SAYING THAT JAPAN TOOK HIS STATEMENTS AS MEANING MORE THAN HE INTENDED. HE SAID HE UNDERSTOOD FUKUDA'S ELECTION NEEDS BUT COULDN'T GIVE HIM EXACTLY WHAT HE WANTS -- (WHICH IS TO INTERPRET OUR STATEMENTS AS LETTING THEM BUILD WHATEVER THEY WANT). HE COULD FORESEE SOME FLEXIBILITY ON WHAT THEY ARE PRODUCING.

3. SUBSEQUENTLY NYE AND BLUMENTHAL TALKED ABOUT THE BEST WAY TO PRESENT THE ISSUE TO FUKUDA. NYE SUGGESTED THAT BLUMENTHAL COULD INDICATE THAT:

A, THE PRESIDENT WANTS SOME FLEXIBILITY FOR JAPAN ON THIS, BUT A SIMPLE TECHNICAL FINDING OF SAFEGUARD-ABILITY AND TURNING-ON THE PLANT AS SCHEDULED IS OUT. THE PRESIDENT CANNOT MAKE HIS FIRST MAJOR INTERNATIONAL DECISION IN THE NON-PROLIFERATION AREA ONE WHICH CONTRADICTS HIS DOMESTIC REPROCESSING POLICY.

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B) SOME USE OF THE PLANT IS POSSIBLE, FOR EXAMPLE, EXPERIMENTAL USES IN RELATION TO PARTIAL REPROCESSING. THIS WOULD NOT INVOLVE PURE PLUTONIUM SEPARATION. FOR INSTANCE, URANIUM ONLY MIGHT BE EXTRACTED.

C) THE ISSUE COULD BE SOLVED BEFORE THE JULY ELECTION IF THE JAPANESE DELEGATION WERE INSTRUCTED TO EXPLORE SOLUTIONS ALONG THESE LINES.

4. I ENCOURAGED BLUMENTHAL TO RAISE THE ISSUE WITH FUKUDA IF HE HAD THE OPPORTUNITY, AND THOUGHT IT WOULD BE USEFUL. HE MAY NOT WISH TO RAISE ALL OF ABOVE, ESPECIALLY POINT B, IN WHICH CASE YOU MAY TREAT THIS AS USEFUL BACKGROUND INFO.

5. ALL OF ABOVE IS FOR YOUR PERSONAL BACKGROUND ONLY. NO ACTION REQUIRED. PLEASE GIVE BLUMENTHAL THE USUAL ALL-OUT SHOESMITH SUPPORT. CHRISTOPHER

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NNN

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